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TAGS: [ECON](#) [EFIN](#) [IR](#) [AS](#) [KNNP](#) [PARM](#) [PTER](#) [PINR](#) [PREL](#)

SUBJECT: ADDITIONAL INFORMATION FOR AUSTRALIA ON BANK
MELLI, BANK MELLAT AND BANK SADERAT

Classified By: Classified by: ISN Acting Assistant Secretary
PATRICIA A. MCNERNEY for reasons 1.4 (b) and (d).

1. (U) This is an action request. Please see paragraph 3.

SUMMARY/BACKGROUND

2. (S) Australian embassy officers recently asked ISN to provide additional information on the proliferation-related activities of Iran's Bank Melli, Bank Mellat and Bank Saderat. We hope the information in the attached nonpaper will help convince Australia to designate these entities for financial asset freeze under Australia's national authorities, as part of its implementation of UNSCRs 1737, 1747 and 1803. Paragraph 12 of UNSCR 1737 requires states to freeze the assets of entities and individuals designated in the resolutions' annexes, as well as those acting for or on behalf of them. Bank Melli and Bank Saderat have not been designated by the UNSC, but UNSCR 1803 names these two banks as warranting particular vigilance. The U.S. designated, on October 25, 2007, Bank Melli and Bank Mellat under Executive Order 13382 for their involvement in proliferation activities and Bank Saderat under E.O. 13224 for providing support for terrorist activities. The EU has also designated Bank Melli for a financial asset freeze on June 23, 2008.

OBJECTIVE/ACTION REQUEST

3. (S/REL AUSTRALIA) Washington requests Post deliver the non-paper in paragraph 4 to appropriate host government officials in the Ministries of Foreign Affairs and Finance. Posts should pursue the following objectives:

-- Provide the nonpaper with information about Bank Melli, Bank Mellat and Bank Saderat, as requested by Australian embassy officers.

-- Inform Australia that the U.S. believes financial transactions with all Iranian banks pose a significant risk of facilitating proliferation related to Iran's nuclear or missile programs or facilitating support for terrorist activities.

-- Urge Australia to consider imposing an asset freeze on Bank Melli, Bank Mellat and Bank Saderat. Emphasize that they are facilitating proliferation and terrorism activities and note that such action would be consistent with paragraph 10 of UNSCR 1803 and paragraph 12 of UNSCR 1737.

-- Remind Australia that paragraph 10 of United Nations Security Council Resolution (UNSCR) 1803 calls on Member States to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, in particular with Bank Melli and Bank Saderat, and their branches and subsidiaries abroad. Paragraph 12 of

UNSCR 1737 requires states to freeze the assets of entities and individuals designated in the resolutions' annexes, as well as those acting for or on behalf of them. (Note: Bank Melli and Bank Saderat are not designated in the annexes of UNSCR 1737, 1747 or 1803).

NONPAPER FOR AUSTRALIA

14. (SECRET//REL AUSTRALIA)

IRANIAN BANKS FACILITATION OF TERRORISM AND PROLIFERATION
ACTIVITIES

-- In the spirit of our shared interest in the effective implementation of UNSCR 1803 and collective efforts to convince Iran to abandon its nuclear weapons ambitions, the U.S. would like to provide additional information on how Iran's Bank Melli and Bank Mellat have facilitated proliferation-related transactions, and how Iran's Bank Saderat has been used by the Government of Iran to send funds to terrorist organizations.

-- The UN Security Council has adopted three resolutions - UNSCRs 1737, 1747 and 1803 - imposing sanctions on Iran to address the proliferation risks presented by its nuclear program and for its failure to comply with UNSCRs 1737 and 1747.

-- The Financial Action Task Force has issued two statements on Iran's lack of anti-money laundering and combating terrorist financing (AML/CFT) controls, as well as guidance to financial jurisdictions that identifies any customers or transactions associated with Iran as a key risk factor to weigh in determining whether a particular transaction may be related to proliferation financing.

-- The international community must take action against these banks in order to protect the international financial system from being exploited to facilitate Iran's illegal actions.

1I. Bank Melli Involvement in Iranian Proliferation

-- Information available to the U.S. Government indicates that Bank Melli serves as an important facilitator for Iran's proliferation financing. Through its role as a financial conduit, Bank Melli has facilitated purchases of sensitive materials for Iran's nuclear and missile programs. In doing so, Bank Melli has provided a range of financial services on behalf of Iranian nuclear and missile entities, including opening letters of credit and/or maintaining accounts.

-- Bank Melli's complicity in transactions with Iranian proliferation entities is indicated by the various roles it plays in the transaction. In certain cases, Melli was listed as a consignee, which implies that Melli was acting directly as an agent of the buyer in these cases. For example, from early to mid-2007, Bank Melli was listed as the consignee on multiple purchases for a company affiliated with Iran's missile program.

-- Bank Melli facilitated a transaction in the first half of 2007 involving a North Korean shipment to Iran; the cargo was consigned to Bank Sepah, an entity designated in UNSCR 1747 for its involvement in Iran's nuclear and missile programs.

-- This was not an isolated case. Bank Melli has facilitated numerous transactions involving Iranian proliferation entities and others listed as subject to the asset freeze provisions of UNSCRs 1737 and 1747, including transactions that took place following the date of these entities' designations.

-- Bank Melli has also maintained accounts or facilitated numerous transactions for known Iranian missile and nuclear front companies and/or their suppliers indicating complicity and/or a lack of due diligence. These companies include

Iran's Defense Industries Organization (DIO) and subordinates which oversee Iran's research, development and production of missiles and rockets.

-- A company subordinate to DIO involved in the marketing of Iranian-made chemical/biological defensive equipment attempted to use a DIO account in early 2005 at Bank Melli's Hamburg branch to receive payments for unidentified goods.

-- Bank Melli in mid-2007 facilitated a number of payments from companies associated with the Aerospace Industries Organization (AIO), which is the overall manager and coordinator for Iran's missile program.

-- Bank Melli has assisted Bank Sepah in several different ways, providing financial support and acting on behalf of Sepah, subsequent to Sepah's designation in UNSCR 1747 as well as by the U.S. government under domestic authority (E.O. 13382). The Hong Kong branch of Bank Melli PLC, a UK-based subsidiary of Bank Melli, facilitated transactions involving Bank Sepah after Sepah's E.O. 13382 designation.

II. Bank Mellat's Involvement in Proliferation Transfers

-- The U.S. has information indicating that Bank Mellat has wittingly provided financial services in support of Iran's nuclear industry, namely the Atomic Energy Organization of Iran (AEOI), by servicing and maintaining AEOI bank accounts, mainly through AEOI's financial conduit, the Novin Energy Company. Both AEOI and Novin Energy Company were designated under UNSCR 1737 and 1747 respectively, for their involvement in Iran's nuclear program. Bank Mellat has facilitated the movement of millions of dollars for Iran's nuclear program since at least 2003.

-- In mid-2006, Bank Mellat was involved in a transfer totaling over a quarter of a billion U.S. dollars into an account it holds for Novin Energy Company. Iran's Bank Markazi (Iran's Central Bank) effected the payment to Bank Mellat's unspecified account at a named United Kingdom bank, for further credit to Bank Mellat's client - Novin Energy Company. The purpose of the payment is not known.

-- In the second half of 2006, Bank Mellat facilitated a transfer for Novin Energy Company. The funds were credited to Novin's account held at Bank Mellat's main branch in Tehran.

-- In early 2007, Bank Mellat facilitated a payment from Novin Energy Company's account to a probable Iranian nuclear procurement company located in Tehran.

-- Bank Mellat has also had dealings with other UN-designated WMD proliferation-related entities. In mid-2007, Bank Mellat was involved in several transactions with Bank Sepah. Bank Sepah facilitated payments to accounts at Bank Mellat on behalf of entities associated with Iran's AIO.

III. Bank Saderat's Involvement in Terrorism

-- Bank Saderat is used by the Government of Iran to transfer money to terrorist organizations such as Hizballah, Hamas, the Popular Front for the Liberation of Palestine-General Command, and Palestinian Islamic Jihad. Bank Saderat's connections to these clients and transactions on behalf of these organizations have at times exceeded the boundaries of normal banking activities.

-- From 2001 to 2006, a Hizballah-controlled organization received at least \$50 million from Iran through Bank Saderat.

-- Bank Saderat has been a conduit for funds from Hizballah supporters around the world to Hizballah and between Hizballah officials in Lebanon and abroad.

-- The Government of Iran has used Bank Saderat to transfer money to the Palestinian Islamic Jihad.

-- As of 2005, Hamas had significant financial assets deposited in Bank Saderat. In the past year, Bank Saderat has transferred several million dollars to Hamas.

-- Hizballah has used Bank Saderat to transfer funds, sometimes in the millions of dollars, to support the activities of other terrorist organizations such as Hamas in Gaza.

REPORTING DEADLINE

¶5. (U) Post should report results by close of business within seven days of receipt of cable. Please slug replies for ISN, T, Treasury, INR, NEA/IR and WHA. Please include SIPDIS in all replies.

POINT OF CONTACT

¶6. (U) Washington point of contact for follow-up information is Michelle New, ISN/CPI, (202) 647-0186, newml@state.sgov.gov.

¶7. (U) Department thanks Post for its assistance.
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